

MSINGA MUNICIPALITY



ANNUAL REPORT 2011

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MSINGA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2011

In terms of section 126 (1) of the Municipal Finance Management Act ,
I am responsible for the annual financial statements, which are set out on
pages 5 to 39, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed
in note 16 of these annual financial statements are within the upper limits of
the framework envisaged in Section 219 of the Constitution, read with the
Remuneration of Public Officer Bearers Act and the Minister of Provincial and
Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

31 August 2011
Date

Annual Financial Statements

for

Msinga Municipality

for the PERIOD ended 30 JUNE : 2011

Province: KwaZulu Natal

AFS rounding: *R (i.e. only cents)*

Contact Information:

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Msinga Municipality
Financial Statements
for the year ended 30 June 2011
General information

Members of the Council

FJ Sikhakane	Mayor
SG Masimula	Honourable Speaker
TL Kunene	Deputy Mayor
B Mthethwa	Member of the Executive Committee
RN Ngubane	Member of the Executive Committee
MPS Mshibe	Member of the Executive Committee
JM Ntuli	Member of the Executive Committee
B Dumakude	Member of the Executive Committee

Municipal Manager

FB Sithole

Chief Financial Officer

JS Pansegrouw

Grading of Local Authority

Grade 2

Auditors

Auditor-General South Africa

Bankers

ABSA Bank

Effective 1st July 2001

Msinga Municipality
Financial Statements
for the year ended 30 June 2011

General information (continued)

Registered Office: Tugela Ferry

Physical address: Main Road
Tugela Ferry

Postal address: Private Bag X530
Tugela Ferry
3010

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Msinga Municipality
FINANCIAL STATEMENTS
For the year ended 30 June 2011

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MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	<u>Note</u>	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
ASSETS			
Current assets		68 142 868	70 383 612
Cash and cash equivalents	1	63 588 202	66 615 891
Trade receivables from exchange transactions	2	109 544	115 842
Other receivables from non-exchange transactions	3	50 667	50 667
Pre-paid expenditure	4	33 267	382 331
VAT receivable	5	4 361 188	3 218 881
Non-current assets		68 778 024	55 177 499
Property, plant and equipment	6	68 778 024	55 177 499
Total assets		<u>136 920 892</u>	<u>125 561 111</u>
LIABILITIES			
Current liabilities		30 834 864	41 278 110
Trade and other payables	7	4 308 621	2 054 968
Unspent conditional grants and receipts	8	26 526 243	39 223 142
Total liabilities		<u>30 834 864</u>	<u>41 278 110</u>
Net assets		<u>106 086 028</u>	<u>84 283 001</u>
NET ASSETS			
		106 086 028	84 283 001
Accumulated surplus	9	106 086 028	84 283 001
Total net assets		<u>106 086 028</u>	<u>84 283 001</u>

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2011

REVENUE	<u>NOTE</u>	<u>2011</u>	<u>2010</u>
Property rates	11	441 045	441 045
Property rates - penalties imposed and collection charges			
Service charges	12	20 940	20 940
Rental of facilities and equipment		277 097	189 979
Interest earned - external investments	14	3 747 680	4 143 727
Government grants and subsidies	13	85 264 274	61 679 235
Other income		154 927	715 332
Total Revenue		89 905 963	67 190 258
EXPENDITURE			
Employee related costs	15	10 236 348	8 692 945
Remuneration of Councillors	16	6 467 130	6 085 759
Bad debts	2,4	454 056	450 838
Collection costs			
Depreciation	6	6 267 910	4 847 898
Repairs and maintenance		4 295 596	9 513 024
Contracted services	19	1 728 765	819 035
Grants and subsidies paid	17	4 856 172	4 538 583
General expenses	18	33 796 960	20 325 876
Total Expenditure		68 102 936	55 273 958
Surplus (Deficit) for the year		21 803 027	11 916 300
Surplus (Deficit) for the year		21 803 027	11 916 300

Refer to Appendix E .1 for explanation of variances

MSINGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NETT ASSETS
as at 30 June 2011

	Accumulated Surplus	Total
	R	R
Balance at 30 June 2010	84 283 001	84 283 001
Surplus for the year	21 803 027	21 803 027
Balance at 30 June 2011	<u>106 086 028</u>	<u>106 086 028</u>

**MSINGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2011**

	<u>Note</u>	<u>2011</u> <u>R</u>	<u>2010</u> <u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from consumers		84 914 007	70 076 524
Cash paid to suppliers and employees		<u>(71 820 940)</u>	<u>(49 317 254)</u>
Cash generated from operations	20	13 093 067	20 759 270
Interest received	14	3 747 680	4 143 728
Net cash flows from operating activities		<u>16 840 747</u>	<u>24 902 998</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(19 868 435)	(17 592 986)
Purchase of intangible assets			
Proceeds from sale of fixed assets			
Net cash flows from investing activities		<u>(19 868 435)</u>	<u>(17 592 986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised (repaid)			
Increase (decrease) in consumer deposits			
Increase (decrease) in short term loans			
Net cash flows from financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(3 027 688)</u>	<u>7 310 012</u>
Net increase / (decrease) in net cash and cash equivalents		(3 027 688)	7 310 012
Net cash and cash equivalents at beginning of period		<u>66 615 890</u>	<u>59 305 878</u>
Net cash and cash equivalents at end of period		<u>63 588 202</u>	<u>66 615 890</u>

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. The application of these transitional provisions is detailed in each policy to which the Directive applies.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting

GRAP 21 Impairment of Non-Cash Generating assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

GRAP 26 Impairment of Cash Generating Assets

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits

IFRIC 17 Distribution of Non-cash Assets to Owners

IFRIC 18 Transfer of Assets from Customers

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
Sewerage	20	Furniture and fittings	10
Community		Machinery and Equipm	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

3.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

4 INVENTORIES

4.1 INITIAL RECOGNITION

The Municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. Inventories have therefore not measured in accordance with GRAP 12 or the accounting policy. A "provisional" amount has been determined by management, which will be used until the GRAP 12 measurement process is completed. It is anticipated that this process will be complete by June 30, 2010.

Inventories comprise current assets held for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.3 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

5.5 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.6 CASH AND CASH EQUIVALENTS

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

10 LEASES

10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Msinga Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand		
Cash at bank	2 659 431	9 122 418
Call deposits	60 928 771	57 493 473
	<hr/>	<hr/>
	63 588 202	66 615 891

The Municipality has the following bank accounts:

Current account (Primary bank account)
Absa Bank - Newcastle Branch
Account number -
4053635886

Cash book balance at beginning of year	9 122 418	5 596 657
Cash book balance at end of year	2 659 431	9 122 418
Bank statement balance at beginning of year	11 005 466	7 338 159
Bank statement balance at end of year	8 849 954	11 005 466

2 Trade receivables from exchange transactions

	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2011			
Service debtors			
Rates	6 391 971	6 391 971	0
Electricity			
Other	247 816	138 272	109 544
Total	<hr/>	<hr/>	<hr/>
	6 639 787	6 530 243	109 544
Balances at 30 June 2010			
Service debtors			
Rates	5 960 072	5 960 072	0
Electricity			
Other	231 957	116 115	115 842
Total	<hr/>	<hr/>	<hr/>
	6 192 029	6 076 187	115 842

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Rates: Ageing	<u>2011</u>	<u>2010</u>
Curent (0 - 30 days)	36 754	36 282
31 - 60 days	36 690	36 282
61 to 90 days	36 312	36 282
91 - 120 days	36 182	36 282
121 days and over	6 246 033	5 814 944
Total	<u>6 391 971</u>	<u>5 960 072</u>
Electricity and other : Ageing		
Curent (0 - 30 days)	(43 341)	(36 993)
31 - 60 days	2 571	2 490
61 to 90 days	2 225	2 306
91 - 120 days	2 151	2 280
121 days and over	284 210	261 874
Total	<u>247 816</u>	<u>231 957</u>

Summary of debtors by customer classification

	Domestic and other Consume rs	Industrial / Commercial	Government
Balances at 30 June 2011			
Curent (0 - 30 days)	(38913)		32 325
31 - 60 days	6 936		32 325
61 to 90 days	6 213		32 325
91 - 120 days	6 008		32 325
121 days and over	928 647		5 601 596
Total	<u>908 891</u>		<u>5 730 896</u>

	Domestic and other Consum	Industrial / Commercial	Government
Balances at 30 June 2010			
Curent (0 - 30 days)	(32 565)		32 325
31 - 60 days	6 522		32 325
61 to 90 days	6 326		32 325
91 - 120 days	6 260		32 325
121 days and over	862 491		5 213 995
Total	<u>849 034</u>		<u>5 343 295</u>

3 Other receivables from non - exchange transactions

Other	50 667	50 667
Total other receivables	<u>50 667</u>	<u>50 667</u>

4 Long Term Receivables

Pre-paid expenses	33 267	382 331
Sundry loans	972 193	972 193
Provision Bad Debts	(972 193)	(972 193)
	33 267	382 331
Less: Current portion transferred to current receivables	<u>(33 267)</u>	<u>(382 331)</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

2011 2010

Sundry Loans

This interest free loan refers to grants paid by Central Government to the District Municipality on behalf of Msinga Municipality as well as amounts due by Uthekela Water (Pty) Ltd.

There is no fixed repayment period. Payments made by the District Municipality on behalf of Msinga are set off against the District Municipality loan.

5 VAT

VAT receivable	4 361 188	3 218 881
	<u>4 361 188</u>	<u>3 218 881</u>

VAT is payable on the receipts basis

6 Property, Plant and Equipment

Reconciliation of carrying value

	Land and buildings	Infrastr- ucture	Community	Other	Total
Carrying value at 1 July 2010	14 777 175	35 917 264	0	4 483 060	55 177 499
Cost	16 805 000	44 663 029	4 622	14 139 322	75 611 973
Revaluation					
Accumulated depreciation					
- Cost	(2 027 825)	(8 745 765)	(4 622)	(9 656 262)	(20 434 474)
- Revaluation					
Acquisitions	172 727	18 083 448		1 612 260	19 868 435
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(582 927)	(4 506 257)		(1 178 726)	(6 267 910)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2011	14 366 975	49 494 455	0	4 916 594	68 778 024
Cost	16 977 727	62 746 477	4 622	15 751 582	95 480 408
Revaluation					
Accumulated depreciation					
- Cost	(2 610 753)	(13 252 022)	(4 622)	(10 834 988)	(26 702 384)
- Revaluation					

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Reconciliation of carrying value	Land and buildings	Infra-structure	Community	Other	Total
Carrying value at 1 July 2009	13 099 140	24 877 370	0	4 455 901	42 432 411
Cost	14 529 030	30 605 793	4 622	12 879 542	58 018 987
Revaluation					
Accumulated depreciation					
- Cost	(1 429 890)	(5 728 423)	(4 622)	(8 423 641)	(15 586 576)
- Revaluation					
Acquisitions	2 275 970	13 360 914		1 259 780	16 896 664
Capital under construction		696 322			696 322
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(597 935)	(3 017 342)		(1 232 621)	(4 847 898)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2010	14 777 175	35 917 264	0	4 483 060	55 177 499
Cost	16 805 000	44 663 029	4 622	14 139 322	75 611 973
Revaluation					
Accumulated depreciation					
- Cost	(2 027 825)	(8 745 765)	(4 622)	(9 656 262)	(20 434 474)
- Revaluation					

Refer to Appendix B for more detail on property, plant and equipment

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

7 Trade and other payables

Trade creditors	2 916 114	999 279
Payments received in advance		
Retention	1 049 793	845 548
Staff leave	284 700	209 472
Deposits other	670	670
VAT	57 544	
	<u>4 308 621</u>	<u>2 054 969</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
8 Unspent Conditional Grants and Receipts		
3.1 Conditional grants from other spheres of government	26 526 243	39 223 142
3.2 Other conditional receipts		
Public contributions		
Total conditional grants and receipts	<u>26 526 243</u>	<u>39 223 142</u>
Refer Appendix F		
These amounts are invested in a ring - fenced investment until utilised.		
9 ACCUMULATED SURPLUS		
The following internal reserves are ring fenced within the Accumulated Surplus :		
Capital Replacement Reserve		
Balance at 30 June 2010	689 003	689 003
Property, Plant and Equipment purchased ex Capital Replacement Reserve		
Capital Replacement Reserve written back		
Balance at 30 June 2011	<u>689 003</u>	<u>689 003</u>
Government Grant Reserve		
Balance at 30 June 2010	54 245 373	41 334 027
Capital grants to finance Property, Plant and Equipment	18 221 182	17 586 501
Offsetting of Depreciation	<u>(6 075 710)</u>	<u>(4 675 155)</u>
Balance at 30 June 2011	<u>66 390 845</u>	<u>54 245 373</u>
10 Call Investment Deposit		
Other deposits	<u>60 928 771</u>	<u>57 493 473</u>
11 Property Rates		
Actual		
Residential		
Commercial		
State		
Other	441 045	441 045
Total assessment rates	<u>441 045</u>	<u>441 045</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
Valuations		
Residential		
Commercial		
State		
Municipal		
Other		
Total property valuations	<u>0</u>	
 12 Service Charges		
Refuse removal	20 940	20940
	<u>20 940</u>	<u>20 940</u>
 13 Government Grants and Subsidies		
Equitable share	46 328 262	36 024 122
Skills subsidy	23 540	43 678
Conditional grants used to finance Property, Plant and equipment	18 221 182	17 586 501
Conditional grants utilised to finance operating expenses	20 691 290	8 024 934
Equitable share used to finance capital expenditure	<u>85 264 274</u>	<u>61 679 235</u>
Refer Appendix F		
 14 Interest		
Investment income	3 435 298	3 784 251
Interest on current account	312 382	359 476
	<u>3 747 680</u>	<u>4 143 727</u>
 15 Employee Related Costs		
Employee related costs - salaries and wages	7 894 770	6 897 087
Employee related costs- contributions to UIF, pension and medical costs	869 842	603 653
Travel, vehicle, accommodation, subsistence and other allowances	658 349	534 633
Housing benefits and allowances	463	
Overtime payments	155 175	122 927
Performance bonus		
Annual Bonus	<u>659 749</u>	534 645
Sub-total	10 238 348	8 692 945
Less: Employee costs allocated to Property. Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	<u>10 238 348</u>	<u>8 692 945</u>
There were no advances to employees.		

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

		<u>2011</u>	<u>2010</u>
Remuneration of the Municipal Manager			
Annual remuneration		550 493	494 871
Car allowance		120 000	120 000
Contributions to Medical, Pension and UIF Funds		41 040	41 040
		<u>711 533</u>	<u>655 911</u>
Remuneration of the Chief Financial Officer			
Annual remuneration		<u>644 868</u>	<u>619 933</u>
Remuneration of other managers	2011		
		Corporate Services	Engineering Services
Annual remuneration		353 627	331 806
Performance bonus			
Car allowance		84 000	72 000
		<u>437 627</u>	<u>403 806</u>
	2010		
		Corporate Services	Engineering Services
Annual remuneration		353 627	300 240
Performance bonus			
Car allowance		84 000	72 000
		<u>437 627</u>	<u>372 240</u>
16 Remuneration of Councillors		<u>2011</u>	<u>2010</u>
Mayor		311 304	296 492
Deputy Mayor		247 524	239 327
Speaker		247 524	239 327
Executive committee members		1 138 620	1 125 174
Councillors		<u>4 522 158</u>	<u>4 185 439</u>
		<u>6 467 130</u>	<u>6 085 759</u>
In - kind benefits			
The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.			
The Mayor has use of a Council owned vehicle for official duties			
17 Grants and Subsidies Paid			
ESCOM power lines		(19 694)	0
Department of education		228 723	
Free basic services		4 647 144	4 538 583
		<u>4 856 173</u>	<u>4 538 583</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
18 General Expenses		
Advertising	417 223	246 687
Audit fees	635 075	514 396
Audit: internal	374 000	419 200
Admin fees	55 607	6 930
Bank charges	222 739	275 347
Awareness programme	1 126 659	1 312 811
Conference and seminars	118 775	23 534
Aids awareness	85 874	96 299
Disaster management	68 143	195 707
Electricity	330 597	209 969
Entertainment	108 905	111 435
Insurance	368 517	364 749
Indigent Support	101 429	497 384
Legal fees	52 610	0
Licences	86 806	53 009
Emergency fund	1 319 689	620 886
Materials	24 114	49 982
Meetings/training	138 372	270 917
Pauper burials	191 060	95 428
Printing & stationary	341 027	285 361
Rent: offices	74 518	43 382
Security services	852 881	743 576
Special projects	2 570 214	1 651 329
Youth projects	1 059 844	969 000
Sport and recreation	335 405	321 051
Subsistence & travelling	972 888	1 027 723
Subscriptions	18 500	141 086
Sundries	7 645	16 222
Ploughing cost	219 971	253 951
Telephones	692 221	657 153
Agricultural project	352 047	142 644
Transport/vehicle cost	2 044 515	2 028 911
Valuation expenses	342 806	42 405
Ward committees	53 014	20 433
Water	30 973	82 419
Kwalatha housing expenses	347 287	0
Msig expenses	215 862	1 214 372
Town establishment expenses	389 025	1 042
Idp expenses	1 335	0
Fmg expenses	405 761	180 507
Rural elec plan	1 627 339	2 104 727
E-learning project expenses	15 053	1 560
Map expenses	247 531	287 103
Small town rehab	8 996 280	141 265

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
Disaster fund housing	976 170	2 542 358
T/ferry street lighting	1 970 947	0
Pomeroy street paving	1 149 064	0
Contribution leave provision	75 228	26 859
	<u>32 211 542</u>	<u>20 325 876</u>
 19 Contracted Services		
Management services	1 640 877	780 138
Professional fees	87 888	38 897
	<u>1 728 765</u>	<u>819 035</u>
 20 Cash Generated by Operations		
Surplus (deficit) for the year	21 803 027	11 916 300
Adjustment for :		
Prior year		
Depreciation	6 267 910	4 847 897
Gain on disposal of property, plant and equipment		
Contributions to provisions- non-current		
Contributions to provisions – current		
Contributions to bad debt provision	454 056	450 838
Investment income	(3 747 680)	(4 143 727)
Interest paid		
Operating surplus before working capital changes	24 777 313	13 071 308
(increase) decrease in consumer debtors	(451 034)	(446 988)
(increase) decrease in other debtors	349 064	
Increase (decrease) in conditional grants and receipts	(12696899)	9 694 980
Increase (decrease) in creditors	22569299	633 598
(Increase) decrease in current portion of long term debtors		(382 331)
Increase (decrease) in VAT	(1 142 307)	(1 811 296)
Increase (decrease) in provisions		
	<u>13 093 066</u>	<u>20 759 271</u>
 21 Cash and Cash Equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2 659 431	9 122 418
Call deposits	60 928 771	57 493 473
	<u>63 588 202</u>	<u>66 615 891</u>
 22 Additional Disclosures in Terms of Municipal Finance Management Act		
22.1 Contributions to organised local government		
Opening balance		
Council contributions		126 625
Amount paid - current year		126 625
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
22.2 Audit fees		
Opening balance		
Current year audit fee	635 075	514 395
Amount paid current year	635 075	514 395
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

22.3 VAT		
Opening balance	3 218 881	1 407 585
Current year output VAT	(57 543)	(22 887)
Current year input VAT	4 418 731	6 313 425
Amount paid - current year	(3 218 881)	(4 479 242)
Amount due by SARS - V A T		
Audit	0	
Amount due by SARS - included in debtors	<u>4 361 188</u>	<u>3 218 881</u>

All VAT returns have been submitted by the due date.

22.4 PAYE, UIF and Skills levy		
Opening balance		
Current year payroll deductions and Council UIF/Skills contributions	2 017 530	1 719 585
Amount paid - current year	2 017 530	1 719 585
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

22.5 Pension; UIF and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	2017530	1 350 216
Amount paid - current year	2017530	1 350 216
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

22.6 Councillors arrear consumer accounts
The following Councillors had arrear accounts outstanding for more than 90 days as at :

		Outstandi ng	Outstanding
30 June 2010	Total	less than 90 days	more than 90 days
30 June 2011	Total	less than 90 days	more than 90 days

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
23 Capital Commitments		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure		
Community		
Heritage		
Other		
Housing Development Fund		
Investment properties		
- approved but not yet contracted for		
Infrastructure - MIG Roads	21 981 000	18 277 000
Community		
Heritage		
Other	4 600 000	2 800 000
Housing Development Fund		
Investment properties		
This expenditure will be financed from		
- capital replacement reserve		
- government grants	21 981 000	18 277 000
- own resources	4 600 000	2 800 000
-		

- 24 Retirement Benefit Information
- Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005

24.1 Superannuation Fund

The actuarial value of total assets was R219,5 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

24.1.1. surplus of R5,2 million in respect of pensioners (funding level 100,5%)

24.1.2. deficit of 224,7 million in respect of members (funding level 85,5%)

24.1.3. the fund was thus 91,6% funded

24.1.4. the fund did not hold an investment reserve.

24.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,0% of member's pensionable emoluments, or about R6,5 million a year

24.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries with effect from 1 July 2006 will be imposed on the municipality.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

24.2 Retirement Fund

The actuarial value of total assets was R190,0 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

24.2.1. surplus of R12,9 million in respect of pensioners (funding level 104,1%)

24.2.2. deficit of R202,9 million in respect of members (funding level 69,0%)

24.2.3. the fund was thus 80,5% funded

24.2.4. the fund did not hold an investment reserve

24.2.5. the total contribution rate payable (including the surcharge of 12% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,09% of members pensionable emoluments.

24.2.6. An additional contribution by way of a surcharge will be increased from a total of 12% to a total of 14% of salaries with effect from 1 July 2006 for a period of four years (the additional contributions apply only in respect of members who joined the Fund prior to 1 July 2002) as the excess contributions currently being paid are insufficient to restore the fund to a fully-funded position by 2010.

25 Contingent Liabilities

In accordance with an agreement reached in the SALGBC council must make provision for pensioners medical contribution.

The liability in this regard cannot be calculated at this stage.

26 Unauthorised Expenditure

Due to an adjustment budget not done certain departments incurred over expenditure totalling R 2 936 905. The total expenditure however does not exceed the approved budget.

27 Irregular Expenditure

Irregular expenditure of R 1,161,998 in the current financial year and R8,795,000 in the prior year was incurred as a result of contravention of the Municipality's procurement policy.

This expenditure was for road maintenance and is included in the maintenance as per statement of financial performance.

Irregular expenditure of R 3200 606 was incurred as a result of the procurement policy that does not make provision for 80/20 preference as required by SCM Framework for procurement between R30 000 and R100 000. This expenditure is included in the statement of financial performance and was budgeted for.

APPENDIX A
MSINGA MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2010/06/30	Received during the year	Redeemed or written off during the year	Balance at 2011/06/30	Carrying value of property plant & equip.
			R	R	R	R	R
TOTAL			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	

APPENDIX B
MSINGA MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value	Budget Additions 2011
Land and Buildings											
Land											
Buildings	16 805 000	172 727			16 977 727	2 027 826	582 927		2 610 753	14 366 974	
	16 805 000	172 727	0	0	16 977 727	2 027 826	582 927	0	2 610 753	14 366 974	0
Infrastructure											
Stormwater drainage											
Roads	43 548 745	18 083 448			61 632 193	8 625 051	4 488 697		13 113 748	48 518 445	
	43 548 745	18 083 448	0	0	61 632 193	8 625 051	4 488 697	0	13 113 748	48 518 445	0
Community Assets											
Sports facilities	1 118 906				1 118 906	125 336	17 560		142 896	976 010	
	1 118 906	0	0	0	1 118 906	125 336	17 560	0	142 896	976 010	
Other Assets											
Refuse disposal site	1 531 890				1 531 890	1 531 890			1 531 890	0	
Taxi rank	948 004				948 004	948 004			948 004	0	
Fencing	584 030				584 030	584 029			584 029	1	
Air conditioners	134 252				134 252	134 252			134 252	0	
Office and computer equipment	2 274 247	113 404			2 387 651	1 749 905	158 736		1 908 641	479 010	
Furniture and fittings	920 406	77 749			998 155	443 633	91 704		535 337	462 818	
Machinery and equipment	167 230				167 230	164 821	2 409		167 230	0	
Cellphones & radios	2 151				2 151	2 151			2 151	0	
Motor vehicles	7 577 112	1 421 107			8 998 219	4 097 576	925 877		5 023 453	3 974 766	
	14 139 322	1 612 260	0	0	15 751 582	9 656 261	1 178 726	0	10 834 987	4 916 595	0
Total	75 611 973	19 868 435	0	0	95 480 408	20 434 474	6 267 910	0	26 702 384	68 778 024	0

APPENDIX C
MSINGA MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value
Executive and Council	3 373 729	627 759			4 001 488	2 091 723	328 190		2 419 913	1 581 575
Finance and Admin	17 074 878	172 728			17 247 606	2 792 010	625 166		3 417 176	13 830 430
Planning and Development						0			0	
Health						0			0	
Community & Social Services	3 141 331				3 141 331	1 218 522	152 142		1 370 664	1 770 667
Housing						0			0	
Public Safety	25 720				25 720	11 415	1 602		13 017	12 703
Sport and Recreation						0			0	
Environmental Protection						0			0	
Waste Management	2 320 185				2 320 185	2 219 124	101 060		2 320 184	1
Road Transport	49 637 947	19 067 948			68 705 895	12 071 843	5 056 969		17 128 812	51 577 083
Other	38 183				38 183	29 837	2 781		32 618	5 565
	0				0					
	75 611 973	19 868 435	0	-	95 480 408	20 434 474	6 267 910	-	26 702 384	68 778 024

APPENDIX D

MSINGA MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010	2010	2010		2011	2011	2011
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
66 989 910	27 418 487	39 571 423	Executive and Council	89 536 943	39 923 139	49 613 804
50 273	5 405 409	(5 355 136)	Finance and Admin	251 092	8 739 361	(8 488 269)
	3 071 134	(3 071 134)	Planning and Development		4 089 062	(4 089 062)
	193 728	(193 728)	Health		276 935	(276 935)
129 135	2 055 931	(1 926 796)	Community & Social Services	96 988	2 202 178	(2 105 190)
		0	Housing			0
	1 582 171	(1 582 171)	Public Safety		1 320 131	(1 320 131)
		0	Sport and Recreation			0
		0	Environmental Protection			0
20 940	445 325	(424 385)	Waste Management	20 940	534 153	(513 213)
	14 834 656	(14 834 656)	Road Transport		11 005 131	(11 005 131)
		0	Water			0
		0	Electricity			0
	267 117	(267 117)	Other		12 846	(12 846)
		0				0
<u>67 190 258</u>	<u>55 273 958</u>	<u>11 916 300</u>	Sub – total	<u>89 905 963</u>	<u>68 102 936</u>	<u>21 803 027</u>
			Less : Inter departmental charges			
<u>67 190 258</u>	<u>55 273 958</u>	<u>11 916 300</u>		<u>89 905 963</u>	<u>68 102 936</u>	<u>21 803 027</u>

APPENDIX E (1)

MSINGA MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %
Property rates	441 045	80 000	361 045	82%
Property rates - penalties imposed and collection charges			0	
Service charges	20 940	17 010	3 930	19%
Rental of facilities and equipment	277 097	32 000	245 097	88%
Interest earned - external investments	3 747 680	4 350 000	(602 320)	-16%
Interest earned - outstanding debtors			0	
Fines			0	
Licences and permits			0	
Income for agency services			0	
Government grants and subsidies	85 264 274	67 595 000	16 083 860	19%
Other income	154 927	82 500	72 427	
Total Revenue	89 905 963	72 156 510	16 164 039	
EXPENDITURE				
Employee related costs	10 236 348	10 911 665	(675 317)	-7%
Remuneration of Councillors	6 467 130	6 491 415	(24 285)	0%
Bad debts	454 056	450 000	4 056	1%
Collection costs			0	
Depreciation	6 267 910	5 038 000	1 229 910	20%
Repairs and maintenance	4 295 595	5 168 000	(872 405)	-20%
Interest paid			0	
Bulk purchases			0	
Contracted services	1 728 765	1 285 000	443 765	26%
Grants and subsidies paid	4 856 172	5 397 434	(541 262)	-11%
General expenses	33 796 960	17 398 800	14 812 746	46%

Total Expenditure	68 102 936	52 140 314	14 377 208	
Surplus (Deficit) for the year	21 803 027	20 016 196	(885 832)	-8%

APPENDIX E (2)

MSINGA MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Land and Buildings							
Land							
Buildings	172 727		172 727	0	172 727	100	
	172 727		172 727	0	172 727		
Infrastructure							
Storm water drainage							
Roads	18 083 449		18 083 449	19 277 000	-1 193 551	(6)	
Electricity reticulation			0		0		
	18 083 449	0	18 083 449	19 277 000	-1 193 551		
Other Assets							
Refuse transfer station							
Office equipment	118 665		118 665	100 000	18 665	19	
Furniture and fittings	77 749		77 749	300 000	-222 251	(74)	
Bins and containers			0		0		
Motor vehicles	1 421 106		1 421 106	1 500 000	-78 894	(5)	
Computer equipment			0		0		
	1 617 520		1 617 520	1 900 000	-282 480		
Total	19 873 696	0	19 873 696	21 177 000	-1 303 304	(6)	

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2010 R	Received 2010/2011 R	Expenditure 2010/2011 R	Transfer 2010/2011 R	Unspent balance at 30 June 2011 R	Grants delayed/ withheld R	Reason for delaying/ withholding funds	Compliance with grant conditions YES/NO	Reason for non-compliance
Grants – general	Unspecified	322 179				322 179			YES	
Grant – construction of shelters	District Council	1 530 205		976 171		554 034			YES	
Int Dev I – Structure Grant	Prov Government	1 250 000		1 149 064		100 936			YES	
MIG-Roads		6 898 994	12 410 000	16 835 653		2 473 341			YES	
Transition grant		2 394 757		109 260	232 967	2 518 464			YES	
Tourism grant		936 217		38 547		897 670			YES	
Municipal assistance programme		0				0			YES	
Municipal support grant		2 360 623		321 719		2 038 904			YES	
Grants – general		3 300 000			150 000	3 450 000			YES	
Grant -Integrated development plan		239 050				239 050			YES	
Spatial dev Framework		100 000				100 000			YES	
Finance Management grant		0	1 200 000	1 199 000		1 000			YES	
Implementation of M F M Act		145 000				145 000			YES	
Equitable share		0				0			YES	
Inter departmental monitoring grant		100 000				100 000			YES	
Grant – LUMS		237 223				237 223			YES	
Grant - Project Consolidate		2 236 373			(389 026)	1 847 347			YES	
Grant - community development workers		128 892			^A (2)	128 890			YES	
MSIG grant		0	750 000	750 000		0			YES	
Housing grant - Pomeroy project		108 677				108 677			YES	
Grant - LED capacity building		125 000	300 000			425 000			YES	
Lottery- Pomeroy sport field		(0)				0			YES	

Internal control & Audit committee	150 000				150 000	YES
Housing grant - Kwalatha project	(72 441)	395 908	347 287		(23 820)	YES

Description	Name of organ of State	Unspent balance at 1 July 2010	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholdin g funds	Complianc e with grant conditions	Reason for non- compliance
Elangeni Sportsfield			1 575 000	1 138 536		436 464			YES	
Resol phase 1		145 000				145 000			YES	
Info Investment programme		200 000				200 000			YES	
E – Learning		224 098		15 053		209 045			YES	
Small town rehab		12 534 735		12 433 707		101 028			YES	
Electrification programme		3 628 563	9 205 001	3 212 753		9 620 811			YES	
		39 223 145	24 697 373	37 388 214	(6 059)	26 526 243				

**BUDGET SPEECH FOR THE MSINGA LOCAL MUNICIPALITY
PRESENTED TO THE COMMUNITY OF MSINGA BY THE HONORABLE
MAYOR COUNCILLOR F.J SIKHAKHANE: 2011/2012 FINANCIAL YEAR.**

VENUE : CJ MTHETHWA HALL

DATE : 2011/06.....

TIME : 10H00

1. OBSERVATION OF PROTOCOL

- The Honourable Speaker – Programme Director
- Mayors, Deputy Mayors and Councillors of all Municipalities
- Our esteemed Amakhosi present and council
- Heads of various spheres of government and their supports
- Ministers of religious and all church members
- CDW's present
- HUBS present
- Members of various ward committees
- NGO's, CBO'S etc.
- Taxi Associations
- Farmers
- Youth
- Members of the media
- Distinguished guests
- Ladies and gentlemen

It gives me pleasure to rise and present budget for 2011/2012 Financial year on behalf of Msinga Municipal before these numbers of Msinga people who are gathered here today. First of all I wish to thank our councillors for their advance action of adopting this budget so early unanimously on 2011/03/30. This is an indication of their professionalism in dealing with

important municipal matters. To approve or adopt budget timorously is the requirement which is stipulated in the Municipal Financial Management Act. No 56 of 2003. As the political head in this municipality it is my responsibility to advise the entire community of Msinga about all programmes regarding the performance of this municipality.

I present this budget before you with a big confidence because as from the beginning of the current financial year to date we bring government to the people through Mayoral programme of actions which were conducted in all wards. Members of the community in all wards were given an opportunity to express their views regarding development in this municipality “**SENZA LOKHO OKUSHIWO NGABANTU**”. Both draft Budget and IDP have been presented to community for comments through advertisement in various newspapers and also during Mayoral izimbizo. They were both unanimously accepted by members of all various wards in our area of jurisdiction. We therefore gathered here today to celebrate official approval of Budget and IDP for 2011/2012 and also to be informed about municipal performance during 2010/2011 financial year.

2. MSINGA MUNICIPALITY’S MISSION AND ITS VISION STATEMENT

The Vision for Msinga is intended to provide a clear statement of the preferred future. This statement is informed by the historical understanding and knowledge of the area.

The main characteristics of Msinga have had a profound influence on the development of the Vision:

- Low Human Development Index
- Physical and technical underdevelopment of the area
- Very high levels of poverty



In addition to the above, the following components have been identified as being key to the development of the communities of Msinga.

- Poverty alleviation and the provision of employment opportunities
- Empowerment
- Economic Development
- The satisfaction of basic needs and the provision of services
- Education and Training
- Sustainable Municipality
- Participation of all citizens
- Safe and sustainable environment
- Youth development
- Safe adequate housing
- HIV/Aids effects

Using these components as the building blocks, along with the characteristics of Msinga, the following Vision was developed in 2001 and the present council has not deviated from this.

3. MSINGA MUNICIPAL PERFORMANCE REPORT FOR 2010/2011

Msinga Municipality always ensure that it does make promises for things that it can afford to do for the benefit of its community. This brief report can be regarded as an achievement for such municipality which has no sources of income. The report is arranged in accordance with Municipality Key Performance Areas/Indicators for easy understanding and also easy to measure its performance. It is also in accordance with objects of establishment of local government as stipulated in Section 152 of the Republic of South Africa Constitution Act No. 108 of 1996-Chapter 7 as follows:



3.1. BASIC SERVICE DELIVERY.

It is the responsibility of Local Government to ensure provision of services communities in a sustainable manner. To comply with this object, Msinga Municipality during the current financial year has achieved the following basic services:

Electricity

As I have been informing you members of the community that our Msinga Municipality has not been authorised to take electrical installation yet our Municipality was able to persuade the Department of Energy and Eskom to build an electrical power station in Pomeroy which is near completion at the moment for the sum of **R 30 million.**

Completions of electrical installation at KwaDolo- ward 07

Msinga Municipality has been able to undertake all phases of electrical installation at ward 07 successfully because the project is near completion at the sum of **R9' 764 511.00**

Installation of electricity at ward 08

The Municipality has been able to persuade the department of Rural Development to undertake the installation of electricity in ward 08. This project is near completion except for the area of Nhlesi at the sum of **R8 000 000.00**



ROADS CONSTRUCTION

Msinga Municipality regards access as an important aspect as no projects can be successful without road access.

Roads here under has been constructed by the Municipality

ROAD	AMOUNT	WARD
1. Machobeni Access Road	R4' 823 500.00	12
2. Mngenzi Access Road	R 3 069 500.00	06
3. Mbangweni Access Road	R 3 500 000.00	16
4. Buhayika Access Road	R 3 500 000.00	13
5. Mmangaliso access Road	R2 500 000.00	12
TOTAL EXPENDITURE: R 17 393 000.00		

3.3 BUILDING OF HOUSE

It is not the responsibility of Msinga Municipality to build houses. Msinga Municipality has been successful in building 11 four-roomed houses for indigent families

BENEFICIARY	WARD	AMOUNT
1.Nxumalo	14	R 100 000.00
2.Sokhela	15	R 100 000.00
3.Nxusa	17	R 100 000.00
4.Maphumulo	01	R 100 000.00
5.Mkhize	16	R 100 000.00
6.Khoza	16	R 100 000.00
7.Khoza	15	R 100 000.00
8..Malembe	15	R 100 000.00

9.Buthelezi	14	R 100 000.00
10.Shezi	14	R 100 000.00
11. Langa	13	R 100 000.00

Total expenditure: R 1' 100 000.00

3.4 BUILDING OF CLASSROOMS

Msinga Municipality also help the Department of education in building classrooms for the following school:

NAME OF THE SCHOOL	WARD	NO. OF CLASSROOMS	AMOUNT
1.Vezulwazi school	01	02	R 200 000.00
2.Hlanganani school	02	01	R100 000.00
3.Mhlabangule	03	02	R200 000.00
4.Othobothini	06	01	R100 000.00
5. KoNgema	06	01	R100 000.00
5.Buyafuthi school	17	02	R200 000.00

TOTAL AMOUNT: R 9'00 000.00

3.5 BUILDING OF CRECHES

NAME OF THE CRECHE	WARD	TOTAL
1. Salvation	01	R100 000.00
2. Zimiseleni	02	R100 000.00
3. Mzamo	04	R100 000.00
4. Siyathuthuka	05	R100 000.00

5. Osize	05	R100 000.00
6. Sizanenhlanhla	07	R100 000.00
7. Esiholweni	07	R100 000.00
8. Esibusisweni	09	R100 000.00
9. Latha	08	R100 000.00
10. Khombindlela	09	R100 000.00
11. Skohlandi	10	R100 000.00
12. Intuthuko	11	R100 000.00
13. Ngidi	11	R100 000.00
14. Machobeni	12	R100 000.00
15. Vulindlela	13	R100 000.00

TOTAL AMOUNT

R1' 500 000.00

3.6 OTHER PROJECTS

Renovation of Ngome community hall

R100 000.00

Renovation of ward 12 Esikebheni market stalls

R100 000.00

3.7 SUPPORT FOR THE POOR OF THE POOREST

Msinga Municipality takes care of the indigent people and provided an amount of **R50 000.00** to support this.

3.8 INDIGENT SUPPORT

An amount of **R 1' 944 189 .00** has been budgeted for both subsidised electricity and solar system.



4. COMMUNITY PROJECTS

4.1 Youth projects

4.1.1 Support for enrolment in tertiary education

R170 000.00

4.1.2. Computer literacy

R 100 000.00

4.1.3 Office skills

R 204 000.00

4.1.4. Variety of projects

R 510 000.00

TOTAL EXPENDITURE: R 984 000.00

4.2 SPORTS AND RECREATION

Budget for sports and recreation in all codes

R300 000.00

4.3. 1. Agriculture

A sum of R 655 000.00 has been budgeted for farmers to undertake agricultural projects such fencing, seed, payment for farming equipment, repairing water pipes and war against poverty.



4.3.2. Group empowerment

Entertainment during events. This help to promote natural talent in the community. The total expenditure is **R306 000.00**

4.3.3 Catering for entertainment

Catering was provided during ward community outreach and also catering for councillors during Municipality committee meetings.

Total expenditure: R210 000.00

4.3.3 Msinga Municipality ensures that local suppliers are utilized for the purchase of goods during Mayoral events in order to continuously promote local economic development. During 36 mayoral events food parcels were handed over to indigent families as means of war against poverty.

TOTAL EXPENDITURE: R 1 332 000.00

05. SUPPORT FOR SMME's

Msinga Municipality helps the indigent families with the provision of coffins to enable them to bury their beloved ones. Each ward has been provided with 12 coffins to an amount of R700.00. The Municipality ensures that these coffins are purchased from local funeral parlours such as Usizo LoMsinga, Ndlelenhle, Mkhabela noZulu, Ikhaya likamasingcwabisane and others.

TOTAL EXPENDITURE: R200 000.00



06. CARE FOR WIDOWS AND WIDOWERS.

Msinga Municipality discovered that most wards have many widows and widowers. This led to a resolution to budget a certain amount of money as provision as it is towards the end of the era of most Municipalities that were started in 2006. This should be regarded as a kind gesture from the Mayor and councillors to part with them today as we are presenting the budget for 2011/2012.

In each ward we were requested to select 60 people which means that there will be 1140 recipients today including new wards as means of welcoming them.

TOTAL EXPENDITURE=R684 000.00

07. FINANCIAL RELIEF

Msinga Municipality has been to assist certain members of the community with special projects as follows

- Farmers for Mahlabathini irrigation scheme were provided with water pump to the value of **R 80 000.00**
- A group living with disabilities were provided with an air compressor to the value of **R7400.00**

08. HIV/AIDS AWARENESS

Msinga Municipality takes care HIV/ Aids victims. The council for HIV/ AIDS awareness has been established at the Municipal level as well as at 17 wards level to conduct awareness campaigns.



TOTAL EXPENDITURE: R 100 000.00

09. DISASTER MANAGEMENT

Disaster Management is the function of Local and District Municipalities. The district should provide a greatest budget for combating disasters as the co ordinator of disaster should they occur. However, Msinga municipality has expended **R50 000.00** to assist in emerging and minor disaster such as car accidents and others.

10. COMMUNITY PARTICIPATION AND GOOD GOVERNANCE

It is the responsibility of the local government to promote community participation and the participating community organisation in the affairs of the local government.

To realise this objective Msinga Municipality ensures that stakeholders are invited in all Mayoral events. There were 40 mayoral events that were organised by the Municipality held this year. Events were for advising the community about disease, disasters, budget, development in ward as well as income generation and others.

TOTAL EXPENDITURE: R 100 000.00

The stakeholders who attended are the following:

- Various government Department... to present their sector plans
- Amakhosi and Izinduna- to welcome and give thanks
- Non- Government Organisation such IEC, Sinozowelo, Philanjalo and others to present their projects.
- Church leaders. to open and close in prayer
- Community Development Workers to present their projects
- HUBS to present their projects.

11. MUNICIPAL FINANCE AND MANAGEMENT

Msinga Municipality again received an “**unqualified audit opinion**” from Auditor General this financial year.

Programme Director allow me to end this report on the performance of the Municipality by presenting completed and in progress projects through funding applied from other spheres of government by this Municipality.

PROJECTS	DEPARTMENT	WARD	AMOUNT
1. Ehlanzeni Sportfield	Sports and Recreation	07	R 2, 099 997.30
2. Tugela Ferry Storm Water	COGTA	11&12	R11' 758 284.00
3. Tugela Ferry street light	COGTA	11 & 12	R 1' 817 116.00
4. Pomeroy street paving	COGTA		R 1'200 000.00
5. Supply of Electricity: Mbabane and Madulaneni areas	Minerals and Energy	10,12,13 and 16	R7' 000 000.00

12. BUDGET ALLOCATION FOR 2011/2012 FINANCIAL YEAR

The Budget comprises of both revenue and expenditure, and it is divided into operation and capital.

The operation of Msinga Municipality is mainly relies on grants and allocations from National and Provincial spheres of Government, since it is still has no revenue base as follows:

STATUTORY REQUIREMENTS

In terms of Section 10(G)(4) of the Local Government Transition Act, Second

Amendment Act, 1996 (Act 97 of 1996) the Council shall submit to the Minister of Finance within 14 days from the adoption thereof by Council for the purpose of monitoring whether the maximum expenditure limits have been complied with: Provided that the Minister of Finance may delegate this monitoring function to the MEC responsible for Finance.

Section 10(G)(4) of the Act mentioned above provides that “in so far as it may be essential for the pursuit of the national economic policy, the Minister of Finance, after consultation with the Minister, determine maximum expenditure limits for the budgets or components of such budgets of municipalities for a financial year.”

The Minister of Finance has therefore set the maximum expenditure increases of 6% for each of the capital, special and trust funds and operating budgets.

These restrictions do not take into consideration new municipalities that have been recently established as ours, resulting in some functions not efficiently, effectively and efficaciously being performed.



12.1. BUDGET PRINCIPLES / METHODS

SALARIES, WAGES AND ALLOWANCE

A provision of 8% increase has been made in salaries, wages and allowances.

12.2. COUNCILLOR SALARIES AND ALLOWANCE

A provision of 8% increase has been made although this may not be realized.

12.3 RESOURCE SUPPORT SERVICES

- **OPERATING INCOME**
- **TARIFF OF CHARGES**

12.4. EQUITABLE SHARE

An amount of **R61 218 000.00** has been allocated to Msinga Municipality for the financial year 2011/2012. This allocation has been increased compared with that of 2010/2011 is **R 46 238 000.00**. This allocation has no conditions; it is utilized according to municipal requirements in terms of Municipal Finance Management Act stipulation.



12.5. OTHER GRANTS

12.5.1 Financial Management Grant (FMG) an amount of **R1' 450 000.00** has been allocated to Msinga Municipality and it is the same as the current financial year.

12.5.2 Municipal Systems Infrastructure Grant (MSIG) an amount of **R790 000.00** has been allocated to Msinga Municipality, and it has been increased as compared with current year which is **R 750 000.00**. This allocation has specific conditions. Msinga Municipality has decided to utilize this allocation into two folds:

- ❖ **R 255 000.00** to enhance ward committee functionality and
- ❖ **R 535 000.000** for Municipal Property Rates awareness and development of policies and bye- laws pertaining property rates implementation.

12.6 Municipal Infrastructure Grant (MIG) an amount of **R 24 581 000.00** has been allocated to Msinga Municipality which is little bigger than that of the current financial year. Msinga Municipality has resolved to utilize this amount in only construction of municipal access roads in order to reduce its backlogs in this regard.

13. OPERATIONAL EXPENDITURE

An operational expenditure is estimated to an amount of **R 72' 660 358.00** in 2011/2012 financial year.

Programme Director the operational expenditure as indicated above includes the daily operation for the Municipality which if I can explain can take me the whole day, but budget document is available in our office for those who may require it for perusal.

I would like to stress that even though this Municipality has no revenue base and relies only allocation and grants from other spheres of Government, but it ensures to satisfy needs of its community, especially those which are local municipality's core functions as follows:

Vote	ITEM	DESCRIPTION	AMOUNT
130	372	AWARENESS PROGRAMME. This has been increased due to the fact that awareness programme is still in needed	R 1'200 000.00
120	374	HIV/AIDS AWARENESS CAMPAIGNS: This has been increased with R10 000.00 due to the fact that the rate of people infected and affected is increasing.	R100 000.00
130	375	DISASTER MANAGEMENT: this amount has been increased in order to enable municipality to purchase disaster material.	R80' 000,00
005	394	INDIGENT SUPPORT : This amount has been increased due to the increase in the number of indigent families.	R159' 382.00
001	405	EMERGENCY FUNDS: Remained the same. This is used to utilize to empower local artists in order to develop their talents.	R 1 million
120	420	SUPPORT PAUPER PEOPLE: This amount is still the same	R 200 000.00
110	448	SPECIAL PROJECT: This amount remain the same as last financial year: it is utilized for the care of widows and widowers and orphans.	R 2 million
100	449	YOUTH PROJECTS: This amount has been increased from R 984 000.00 to R1' 000 400.00 It is utilized as follows:	R1'000 400.00

		<ul style="list-style-type: none"> ⊕ R190 000.00 for bursaries ⊕ R204 000.00 office skills ⊕ R100 000.00 computer skills ⊕ R510 000.00 various youth project 	
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100	450	Sports & recreation Increased from the current year. It is utilized to encourage participating in sports.	R 400 000-00
100	454	Ploughing costs. This amount has been increased from R200 000-00 to R300 000.00 . This promotes agriculture in various wards and assist community in ploughing costs	R 000 000-00
100	456	Agricultural projects – This allocation has been increased from R200 000.00 to R 250 000.00 . This also promotes agriculture in various wards as the source of the economy	R250 000-00
100	460	Vehicle costs Increased form the current year to support community in ploughing costs again.	R120 000-00
001	480	Ward committees management: This amount has been increased as compared to the current financial year from R60 000-00 to R75 000.00 . This is utilized to transport ward committee members from their constituencies to the head office for special events/ meetings.	R75 000-00
005	554	Free basic electricity: This amount have been increased from R1, 944189-00 to R 2' 060 840.00 this will be utilized to subsidies indigents in electricity and solar panels and also completion of phase 3	R2' 060 840.00

		electricity infrastructure.	
005	555	Free basic service- this amount has been increased from R3, 453 235-00 to R 3' 660 429.00 The money will be used for infrastructure for crèches and others. The increase is due to an increase of wards form 17 to 19 compared to the current financial year.	R3' 660 429.00

14.CAPITAL PROJECTS

Capital projects are range as follows:

14.1 ACCESS ROADS

ROADS	LENGTH	WARD	AMOUNT
14.1.1 Mbubeni	6km	1	R5'000 000-00
14.1.2.Mathumbu	5km	2	R3' 000 000-00
14.1.3. Mkhomeni	4km	4	R3' 000 000-00
14.1.4. Buhayika	13km	7	R6' 000 000-00
14.1.5.Ndanyana	5km	17	R4' 000 000-00
TOTAL AMOUNT			R21' 000-000

14. 2. Purchase of office furniture = **R 500 000.00**

14. 3. Purchase of computer = **R50' 000.00**

14.4. Purchase of fire engine=**R1'50 000.00**

14.5 Fire fighting premises	R 100 000.00
GRAND TOTAL	R 24' 581 000.00

The Total budget for 2011/2012= R 72 660 358.00

Programme director , there are projects in progress and projects to be introduced through the participation of other spheres of government in order to respond to the Municipality's proposal such as installation of electricity. There is a project called Keates Drift Project that cost **R15' 800 000.00**. In respect of Tugela Ferry it has been proposed to install 1547 household to the value of **R 20' 100 000.00**.

I wish to express my heartfelt of gratitude to all stakeholder who offered help during the time when we were holding Mayoral events in all our wards more especially oNdabezitha, izinduna, Local Heads of Departments, NGO's – Sinozwelo, Philanjalo, IEC, CBO's – Ministers of religion and Municipal officials under the leadership of the Head of the Administration, the Municipal Manager Mr FB Sithole.

Your dedication resulted in all Mayoral resulted in all Mayoral events being a great success. I hope that this co operation will also continue in the next financial year 2011/2012 which starts in July.

“SENZA OKUSHIWO NGABANTU BESE SIQHUBA AMANDLA OMNOTHO NENTUTHUKO EMSINGA”.

THANK YOU.....



- (i) To promote a safe and healthy environment is the responsibility of local government. In September 2008 the former Deputy President visited this area in ward 07 to launch the War on Poverty programme. In order to support this programme the Msinga Municipality is encouraging people to establish community gardens and also provide the affected people with food parcels. Each ward has been allocated with **R15 000.00** for community gardens and it is **R255 000.00** for all 17 wards. 360 needy people especially orphans, widows and widowers have been provided with food parcels amounting to **R489 600.00** from local suppliers e.g. **Pomeroy, Spar, Inkanyezi, Zankosi, Keats Drift, and Kop**



(ii) **Groups empowerment**

Msinga Municipality has resolved that ward groups should be utilized for entertainment during Mayoral programme of action rather than to hire them outside the ward or Municipal jurisdiction. As it has been said that during this current financial year 36 Imbizo were conducted. In each event 03

groups performed which means that $36 \times 3 = 108$ groups. Each group was compensated with an amount of **R3000.00** in order to develop it. An amount of R 9000.00 was allocated for each ward for the said empowerment. This means that **R 9000.00 X 36 = R324 000.00**.

Examples of beneficiaries

Isicathamiya- Loveminus ward 02

Ingoma ubuhle bengqonge ward 12 and

Omama bebhayi basemadulaneni ward 16



Omama baseMadulaneni

Abafana bengqonge



LoveMinus

(e) HIV/ AIDS AWARENESS

Msinga Municipality also cares for HIV/AIDS victims and during the current financial year the Council for HIV/ AIDS was established and awareness is done in all Mayoral imbizo's and infected people are supported with food parcels. The expenditure is **R 90 000.00**

(f) GOOD GOVERNANCE

Local Government is expected to encourage communities and community organizations to be involved in matters dealing with Local Government. To achieve this Msinga Municipality always act according to its community communication strategy when bringing government to the people. During this current financial year 36 imbizos have been held. This involves awareness programme in certain matters e.g fire management, Municipal Property Rates. The expenditure is **R 1 050 000.00**

Imbizo:



To strengthen good governance and public participation this municipality invites all stakeholders to be part of Mayoral programme of action such as Traditional Leaders (Amakhosi and indunas) Heads of Local Government Departments, Representatives of NGO's and CBO'S etc. Stakeholders participate as the following during these events:

- ✦ Ministers of religion- opening prayer
- ✦ NGO'S e.g. IEC, Philanjalo & Sinozwelo- present their programmes
- ✦ Heads Of Department given slots to present their functions
- ✦ Amakhosi to give vote of thanks



Mrs Phiri- Department of Home affairs



Mrs Mdlalose: Depart. Social Development



Mr Skhumbuzo Zondi: Sinozwelo



Miss Chonco- PHC



Mr Ndlovu: Dept. of Agriculture



Mr M Ngubane: IEC

Msinga Municipality has 19 CDW'S that serve as a link between community and government. They participate in Mayoral Imbizos.

Regarding IGR, the Mayor does attend District Mayoral Forums which are co-ordinated at the District level. The Municipal Manager also attends technical meetings for all municipal managers within uMzinyathi District. There is a good relationship among uMzinyathi District, Provincial departments and Local Municipalities.

5. MUNICIPAL FINANCE VIABILITY AND MANAGEMENT

Management of finance by the Municipality is still in the satisfactory manner. It has been audited for 2009/2010 and also obtained **without** qualifying audit report. I.e. is "**UNQUALIFIED REPORT.**"

*An article below is evidence of what is said above:.. **ISOLEZWE of 2010 January 28***

6. BUDGET ALLOCATION FOR 2010/ 2011 FINANCIAL YEAR

The Budget comprises of both revenue and expenditure, and it is divided into operation and capital.

The operation of Msinga Municipality is mainly relies on grants and allocations from National and Provincial spheres of Government, since it is still has no revenue base as follows:

STATUTORY REQUIREMENTS

In terms of Section 10(G)(4) of the Local Government Transition Act, Second

Amendment Act, 1996 (Act 97 of 1996) the Council shall submit to the Minister of Finance within 14 days from the adoption thereof by Council for the purpose of monitoring whether the maximum expenditure limits have been complied with: Provided that the Minister of Finance may delegate this monitoring function to the MEC responsible for Finance.

Section 10(G)(4) of the Act mentioned above provides that “in so far as it may be essential for the pursuit of the national economic policy, the Minister of Finance, after consultation with the Minister, determine maximum expenditure limits for the budgets or components of such budgets of municipalities for a financial year.”



The Minister of Finance has therefore set the maximum expenditure increases of 6% for each of the capital, special and trust funds and operating budgets.

These restrictions do not take into consideration new municipalities that have been recently established as ours, resulting in some functions not efficiently, effectively and efficaciously being performed.

(iii) BUDGET PRINCIPLES / METHODS

7.1 SALARIES, WAGES AND ALLOWANCES

A provision of 8% increase has been made in staff salaries, wages and allowances.

12.6. . COUNCILLOR SALARIES AND ALLOWANCE

A provision of 8% increase has been made although this may not be realized.

(iv) RESOURCE SUPPORT SERVICES

8.1 . OPERATING INCOME



TARIFF OF CHARGES

Refer to tariff of charges. Full implementation of property rates act will form part of the 2012 budget process.

9. EQUITABLE SHARE

An amount of **R46 328 000.00** has been allocated to Msinga Municipality for the financial year 2010/2011. This allocation has been increased compared with that of 2009/2010 is **R 36 575 000.00**. This allocation has no conditions; it is utilized according to municipal requirements in terms of Municipal Finance Management Act stipulation.

10. OTHER GRANTS

- 12.7 Financial Management Grant (FMG)** an amount of **R1000 000.00** has been allocated to Msinga Municipality and it is the same as the current financial year. This amount is utilized only to capacitate local youth who have obtained diplomas, degrees, honours masters etc, in the Finance management that are regarded as financial “interns”. I m very pleased programme director to report to the community of Msinga that in this current financial year for the first time three Msinga youth members have benefited from this allocation. These youth members are from ward 05, 09 and 12. They are employed for duration of three (03) years. Other youth are also encouraged to study with financial management courses as there is a need for them in Municipalities or local government.

12.8 . Municipal Systems Infrastructure Grant (MSIG) an amount of **R750 000.00** has been allocated to Msinga Municipality, and it has been increased as compared with current year which is R 735 000.00. This allocation has specific conditions. Msinga Municipality has decided to utilize this allocation into two folds:

- ❖ **R 255 000.00** to enhance ward committee functionality and
- ❖ **R 495 000.000** for Municipal Property Rates awareness and development of policies and bye- laws pertaining property rates implementation.

12.9 Municipal Infrastructure Grant (MIG) an amount of **R18 277 000.00** has been allocated to Msinga Municipality which is little bigger than that of the current financial year. Msinga Municipality has resolved to utilize this amount in only construction of municipal access roads in order to reduce its backlogs in this regard.

11. OPERATIONAL EXPENDITURE

An operational expenditure is estimated to an amount of **R 52 006 314.00** in 2010/2011 financial year.

Programme Director the operational expenditure as indicated above includes the daily operation for the Municipality which if I can explain can take me the whole day, but budget document is available in our office for those who may require it for perusal.

I would like to stress that even though this Municipality has no revenue base and relies only allocation and grants from other spheres of Government, but it ensures to satisfy needs of its

community, especially those which are local municipality's core functions as follows:

Vote	ITEM	DESCRIPTION	AMOUNT
130	372	AWARENESS PROGRAMME. This has been reduced with R 50 000.00 as compared to the current financial year. The reason being that the other section deals with this	R 1000 000.00
120	374	HIV/AIDS AWARENESS CAMPAIGNS: This has been increased with R10 000.00 due to the fact that the rate of people infected and affected is increasing.	R100 000.00
130	375	DISASTER MANAGEMENT: this amount has been increased in order to enable municipality to purchase disaster material.	R60' 000,00
005	394	INDIGENT SUPPORT : This amount has been decreased as it covered under items 405 & 420	R50' 000,00
001	405	EMERGENCY FUNDS: This is the same as last financial year. This is used to utilize to empower local artists in order to develop their talents.	R 1 million
120	420	SUPPORT PAUPER PEOPLE: This amount has been increased from R 150 000.00 to R 200 000 000 due to the increase number of destitute people.	R 200 000.00
110	448	SPECIAL PROJECT: This amount remain the same as last financial year: it is utilized for the care of widows and widowers and orphans.	R 2 million

100	449	YOUTH PROJECTS: This amount has been increased from R800 000.00 to R 984 000.000. It is utilized as follows: <ul style="list-style-type: none"> ⊕ R170 000.00 for bursaries ⊕ R204 000.00 office skills ⊕ R100 000.00 computer skills ⊕ R510 000.00 various youth project i.e (R30 000.00 per ward) 	R984 000.00
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100	450	Sports & recreation this amount is the same as previous financial year. It is utilized to encourage participating in sports.	R 300 000-00
100	454	Ploughing costs. This amount has been increased from R75 000-00 to R200 000-00 . This promotes agriculture in various wards and assist community in ploughing costs	R 200 000-00
100	456	Agricultural projects – same as the previous year. This also promotes agriculture in various wards as the source of the economy.	R100 000-00
100	460	Vehicle costs – same as last year – To support community in ploughing costs again.	R100 000-00
001	480	Ward committees management: This amount has been increased as compared to the current financial year from R50 000-00 to R60 000-00. This is utilized to transport ward committee members from their constituencies to the head office for special events/ meetings.	R60 000-00
005	554	Free basic electricity: This amount have been increased from R 1, 834141-00 to R1, 944189-00 this will be utilized to subsidies	R1, 944189-00

		indigents in electricity and solar panels and also completion of phase 3 electricity infrastructure.	
005	555	Free basic service- this amount has been increased from R3,257 769-00 to R3,453 235-00 as compared with the current financial year This will be utilized to enhance basic services in Msinga Municipality such as construction of one crèche per ward- each ward is allocated R200 000-00.	R3,453 235-00

12. CAPITAL PROJECTS

Capital projects are range as follows:

12.1 Access roads

No	Name of the Road	Ward	Amount Allocated
12. 1.1	Machobeni Access Road 5,5 km	12	R4, 823 500-00
12.1.2	Mngezweni Access Road 3,5 Km	06	R3, 069 500-00
12.1.3	Mbangweni Access Road 5,2 Km	16	R3, 500 000-00
12.1.4	Buhayika Access Road 5,5 Km	13	R3, 500 000-00

12.1.5	Mmangaliso Access road 2,5 Km	12	R2, 500 000-00
	SUBTOTAL		R17, 393 000-00

12. 2. Purchase of office furniture = R 300 000-00

12. 3. Purchase of Excavator = R1500 00-00

12. 4. Construction of animal pound = R1, 000 000-00

GRAND TOTAL R 20, 193 000-00



The Total budget for 2010/2011 = R72, 199 314

Programme director I am aware that the focus of all people in this country is in Fifa World Cup 2010 which is now next week. I regret to inform you that due to budgetary constraints in this Municipality there are no arrangements that have been made for the community of Msinga to watch all matches. Sports is one of the Department of Sports and Recreation's function not the local Municipality. We thought that this department will arrange big screens for rural people to watch matches. However uMzinyathi District Municipality together with Msinga Municipality have arranged a big screen to be put in Pomeroy Sport field. With an assistant from the Department of Rural Development and Land Reform, eight small PVA's will be placed in the following wards:

- ⊕ Ward 01- Emzweni school
- ⊕ ward 04- Shiyane school
- ⊕ ward 06
- ⊕ ward 07- Somahashi school
- ⊕ ward 08 Nyoniyezwe school
- ⊕ ward 09- Keates Drift Primary
- ⊕ ward 12- Mthembu hall
- ⊕ ward 14 Enhlakahle Hall

In conclusion I wish to express my word of gratitude to all stakeholder who participated during the Mayoral Programme of action that were held in all 17 wards in this financial year, especially oNdabezitha, izinduna, Local Heads of Departments, NGO's – Sinozwelo, Philanjalo, IEC, CBO's – Ministers of religion and Municipal officials under the leadership of the Head of the Administration, the Municipal Manager Mr FB Sithole.

Contribution of all stakeholders and dedication of municipal staff have made Mayoral programmes of action be a great success. I hope that this co operation will also continue in the next financial year 2010/2011 which starts in July.

THANK YOU.....

“WE DO WHAT IS WANTED BY PEOPLE AND DURING FORCES OF ECONOMIC AND DEVELOPMENT IN MSINGA”



MSINGA MUNICIPALITY PERFORMANCE REPORT

PERIOD FROM 01 JULY 2010-30 JUNE 2011

A. INTRODUCTION

The Municipal Systems Act of 2000 as amended, in section 46 stipulates that a municipality has to prepare performance information of each department within that financial year, make comparison of the departmental performance with the targets that were set in the previous year and measures taken to improve performance. This

report has to form an integral part of the municipality's annual report in terms of chapter 12 of the Finance Management Act of 2003 and section 46 of the MSA.

The municipality adopted the SDBIP in September 2010. This report presents performance per department in light of the set targets, indicators and the budget.

B. FINANCE DEPARTMENT:

The finance department has the following objectives:

1. To promote sound financial practices in the municipality through sound policies.

- 2011/2012 draft budget was tabled before council in March 2011. The final budget was adopted on the 29th of April 2011 which was before the legislated deadline in terms of Municipal Finance Management Act and Municipal Systems Act.
- The 2010/2011 financial statements were completed by end August 2010. They were submitted to DCOGTA on the 31 August 2010. The information in the monthly financial statements informed the Midyear section 72 and section 46 reports. The section 46 report was submitted to council for approval in January 2011.
- The finance department has managed to submit finance documents including the annual report in line with MFMA requirements.
- The municipality received an unqualified opinion from the Auditor General for the year ending 30 June 2010.

2 To increase revenue in the municipality



The municipality is grant dependent and partially collects rates which do not amount to a lot of revenue. The municipality will implement the Property Rates policy in July 2011 which is intended to boost its revenue.

3 To purchase office furniture

The amount budgeted was R300 000 for office furniture, R81, 748 72 was spent.

C.THE TECHNICAL DEPARTMENT:

1. To provide a better local access road network:

In achieving this objective the

- Technical Department completed six and a half access roads out of seven 2010/11 priority roads that were funded through MIG. One access road is currently underway.
- Out of 34,5KM of roads that were planned for 2010/11 financial year, 30 KM were completed.
- Two access roads (Simelane and Scengceni) did not start within 2010/2011 financial year because these would be funded through VAT savings, which have not been received yet.
- The municipality is now maintaining 40 access roads and has opened employment to 400 women .A total of R5 000 000 was allocated for road maintenance.R4 300 246 ,02 is the expenditure to date.

2. To accelerate electrification of Msinga

2.1The KwaDolo project in ward 07 phase 2 & 3:



- The budget was 8 million for phase 2 electricity project funded by the department of Rural Development and Land Affairs. The target was 800 connections.
- To date, 782 connections have been completed due to budget constraints.
- The amount spent to date is 13, 2 million rands after designs for phase 2.
- The planning stage has taken longer. The municipality appointed a contractor and electricity installation has commenced.
- 8 million from the department of Minerals and energy was budgeted for Kwadolo phase3 for 800 connections. Construction commenced in April 2011. There were delays due to the Eskom process. No connections as yet and expenditure to date is 2.1 million rands.

2.2 Tugela Ferry Street lighting project ward 11&12:

- The project is funded under Small Town Rehabilitation Programme that is funded by DCOGTA special initiatives unit.
- This project is on the Tugela Ferry CBD to the urban edge that is about 2km length.
- The target was to install 100 streetlight poles. 141 poles have been installed and the project is completed.

3.3 Stormwater and walkways ward 11&12

- Another project under Small Town Rehabilitation project is storm water and walkways. The street light and the storm water projects were running concurrently.

- The storm water and walkway projects aim to rectify and upgrade the town's drainage system and prevent the flooding of the CBD roads that occurs during the rainy season.
- The project included putting up a walkway for pedestrians and a better storm water drainage system. The project is completed.

3. Msinga top Sports Field project:

- The department of Sports and Recreation funded this project which entailed building one sport field. The department has changed the project location from ward 6 to ward 7. It is now called Hlanzeni sportsfield and it is 90% completed. R1 138 536,47 has been spent.

4. To manage infrastructure

4.1 Prepare a Comprehensive Infrastructure Plan:

- The municipality intended to review its Comprehensive Infrastructural Plan which is a plan that is used to quantify the infrastructural backlogs and reflect the budget required to eradicate the backlog as well and specify how long it would take to eradicate the identified backlogs.
- The municipality had not budgeted for this plan thus it has not commenced with the plan yet. The municipality is still trying to source funding for the preparation of its CIP.

4.2 Prepare an Integrated Waste Management Plan:

- Another crucial sector plan that the municipality wanted to prepare this financial year 2010/11 is the IWMP. The municipality had no funds set

aside for this plan hence they sent a request to the Department of Environmental Affairs requesting funding for the preparation of the Integrated Waste Management Plan. The municipality is waiting the response from the Department.

4.3 To ensure effective management of solid waste

- In this objective the intention is mainly to supervise contractors. Waste is collected five days a week in two towns Tugela Ferry and Pomeroy. waste collection is ongoing in Tugela Ferry and Pomeroy.

5. To buy an excavator

- R1500 000 was budgeted for this objective. One excavator was purchased and R984 500, 00 was spent.

D.DEVELOPMENT PLANNING:

1. Develop a strategic plan to ensure youth participation in academics

- The overall youth budget was R984 000 for the year 2010/11, R1020 052, 31 is the total expenditure.
- Youth is funded for registration at tertiary level. R10 000 is paid towards tertiary education of two or three tertiary learners per ward. A total of 170 000 was budgeted and 54 youth have been assisted with registration fee.
- The municipality has organized sporting games in which selection of the best teams takes place. The teams selected competed at an annual selection event called Kwanologa games. The selected teams were sent to play at a district level at UMzinyathi .R300 000 was budgeted for sports and recreation for the year 2010/11 and has been spent to date.

- The municipality has established Msinga sports league to ensure proper administration of sporting codes within the municipality. Only four streams were active this financial year and the season was closed in May 2011.

2. To ensure effective functioning of PMS

- In 2008/9 the municipality's Performance Management Framework was adopted in line with the legislation (MFMA& MSA).
- Performance agreements of section 57 were signed by three sections 57 Managers and were submitted to DCOGTA timeously in September 2010 one contract was not signed because the position of the manager in the corporate services was vacant.
- The SDBIP was adopted in September 2010 and made public during the Mayoral Izimbizo held in every ward.

3. Establishing an Audit Committee:

The municipality shares this function with the district UMzinyathi municipality and the family of municipalities under the district. Meetings have not been taking place at Msinga municipality. The municipality managed to have the first meeting with the audit committee on the 01 February 2011. In this meeting a schedule of meetings to come was agreed upon.

- Second meeting was held with the Audit committee on the 23 March 2011. No meetings were held after that date.
- a (S 72) mid-year performance was completed and submitted to provincial Treasury, The Department of Cooperative Governance and to the Mayor of Msinga Municipality in February 2011.

The Annual report S 46 was submitted to EXCO and full Council for approval in January 2011 and was made public.

4. Submit housing applications and implement identified housing projects

In achieving this objective the municipality plays the facilitation role only.

- The municipality held a meeting with the Implementing Agents of Pomeroy and Latha Housing projects to find out what was holding the projects back.
- The stage 2 applications for all four projects have been submitted to the Department of Housing.
- The municipality awaits the Department of Housing's decision as the applications have been forwarded to them.
- Latha Housing project was approved for construction. Construction commenced on the 1st of May 2011 and 50 houses out of 500 planned have been completed.
- Plans are at an advance stage for the Department of Human Settlement to establish a Housing component within Msinga Municipality.

5. To ensure proper spatial planning and environmental planning and to attract investors to the main economic hub, Tugela Ferry.

5.1 Urban Development Framework Plan for Tugela Ferry:

- The municipality was selected by MEC for Local government to be one of the towns to be rehabilitated under the small town rehabilitation program. This necessitated that the municipality develop a proper physical base plan (Urban Development Framework Plan) that reflect spatially the future plans of Tugela Ferry.
- The municipality in 2009/10 appointed Iyer Urban Design Studio to prepare an Urban Design Framework Plan for Tugela Ferry. This project is currently in

progress at 98% completed, and the outstanding percentage is for a presentation to Ingonyama Trust. The boundaries have been confirmed and the plan is still to be presented to Ingonyama Trust. R472 000 was spent on this project.

5.2 The Keates Drift Feasibility Plan:

- One of the municipality's three small towns, Keates' Drift was selected as one of the small towns to receive funding from the Department of Economic Development to revitalize its economic sectors. The plan has been presented to municipality's Development Subcommittee and has been adopted by Council. It's at 100% complete.

5.3 Establishment of a municipal Pound:

The municipality had set aside one million rands from its own funding for the establishment of the Pound. The tender was advertised however only one service provider tendered. The tender will be readvertised. No expenditure to date.

5.4 Adoption of LUMS:

The municipality started the preparation of its Land Use Management Systems in 2005. The land use scheme, scheme map and clauses were prepared by a service provider (Peter Jewel) however they were never submitted to Council nor to the six traditional Authorities within the Msinga municipal area for approval. The LUMS was submitted in November 2011 to DCOGTA for comments before it can be tabled to Council and the Amakhosi. The municipality was informed that it will have to start all over again to prepare a wall to wall scheme.

6. To annually review IDP

6.1 to prepare the municipal strategic document: IDP

- In accordance with chapter 5 of the MSA the municipality embarked on a process of reviewing its 2010/11 IDP. The process plan 2011/12 which states how the IDP review will be conducted was adopted in September 2010.
- It was submitted to DCOGTA and comments were received. The Process Plan was amended in light of the comments received from DCOGTA.
- Emanating from the process plan are dates for the IDP forums and the Steering committee meetings, one IDP forum meeting was held on the 28 January 2011 and another which was planned for April 2011 was not held.
- The draft IDP was adopted in March 2011, it was advertised on the local newspaper and made public. No comments were received from the public.
- The final IDP and Budget were adopted in terms of S25 of the Municipal Systems Act 32 of 2000 at a council meeting held in 29 April 2011. It was also advertised in the Ilanga newspaper for comments .
- The adopted IDP was not posted on the Municipal Website in accordance with S75 of the Municipal Finance Management Act no56 of 2003

7. To facilitate a swift response to incidents of disaster

The municipal area mainly faces disasters in the form of fire during winter and spring seasons. The municipality experienced disasters due to heavy storm and hail in October 2010 to January 2011 in wards 02, 04,5,6,7,8,11,12,14,16.

- In ward 06 on 28 October 2010 54 houses were blown away and on the 22 December 2010 208 families were victims of disaster.
- Ward 02 ,09 houses blown away on the 24 October 2010
- Ward 08, 130 houses were blown away in November 2010.



- In ward 07, 63 houses on the 28 October 2010 and 84 families were victims of disaster in November 2010
- Ward 12, 73 houses were damaged in hail storm.
- Ward 05, 09 houses on the 28 October 2010
- Ward 11, 21 houses blown away on the 28 October 2010
- Ward 16, 05 houses blown away in heavy winds and rain
- Ward 14, experienced strong winds and storm in December 2010, 40 homes were damaged.
- Assistance in the form of blankets, tents was provided by the municipality.
- Further assistance was provided by the UMzinyathi district municipality.
- An amount of R60 000 was budgeted. The list of all affected families was submitted to UMzinyathi District Municipality so they could forward them to Province. The amount spent is R68 142,97 at the end of the financial year 2010/11.

8. To reduce poverty within the municipal area through agriculture and LED

8.1 The rock crushing strategy:

- The municipality intended to find investors in order to implement its rock crushing strategy. No funding has been acquired yet.

8.2 Efficient utilization of the packhouse:

- The Department of Agriculture funded an agricultural pack house which was meant to assist small farmers to keep their produce for longer. The packhouse has not functioned because of tensions around it.



- The department of Trade and Industry has come on board to try and revitalize the use of the packhouse. No amount was budgeted for this objective.
- **Encouraging agriculture through subsistence farming:**
- The municipality budgeted R15 000 per ward to encourage one home one garden project and the expenditure to date is R348 047,00.
- **Pauper burials:**
- 95% of the population of the municipality is living below the poverty line (earn less than R1600 per month, (Source: STATSSA, 2007) therefore the municipality assists the indigent families with burial facilities such as coffins and food parcels. R200 000 was budgeted for the 2010/11 financial year and a total of 216 families have been assisted. Expenditure is R188,951 90.
- The discretion of this assistance rests with the Ward Councilor and the ward Committee as the municipality does not have an Indigent Register.

E. COPORATE SERVICES

1. Ensure public participation in local governance (S 17, MSA)

- The municipality has established a mechanism for community involvement in its affairs. The municipality ensures that it holds consultative sessions with community organizations and the public at large in the form of Izimbizo. In this platform the municipality reports back to the community regarding financial and performance information.
- The municipality has a high illiteracy amongst adults especially women thus in choosing mechanisms for community participation it opted for izimbizo which caters for those who cannot read or write. However written information is also distributed during izimbizos, documents such as IDP are available to the public

at strategic points. These events take place in every ward and they are currently in progress. After the final budget has been adopted the municipality communicates this information during the IDP/Budget engagements which are held in different wards to inform the public of the planned projects for the coming financial year.

2. Train staff and Councilors in critical skills

- 11 ward committee meetings have been held. An allowance is paid to ward committees for attending meetings. R60 000 was budgeted for this objective and R53 014,00 was spent.

3. Implementing Workplace Skills Plan (WSP)

- Employees' skills profiles have been received from the four departments in the municipality.
- A skills audit has been completed. Information emanating from the skills audit will be used to update the WSP which is currently being updated.
- The identification of skills in line with IDP functions has been started.

4. To organize council meetings well in advance effectively.

This objective was intended to ensure effective council meetings.

- The Corporate Service Department is attempting to produce and deliver agendas seven days prior Council/Exco meetings.
- They have managed to send agendas five days prior to the meeting.



- Four full and special Council meetings have been held and 9 Executive council meetings have been held in this financial year.
- R75 000 was budgeted for this objective and a total of R76 264, 47 was spent.

5. Fill critical vacancies

There were four critical vacancies to be filled in 2010/2011. The library assistant, cyber, general assistant and the director corporate services were vacant. Three have been filled except the general assistant which will be filled in 2011/ 2012 financial year.

F.B SITHOLE

MUNICIPAL MANAGER



1 CORPORATE SERVICES UNIT

THE ACCOUNTING OFFICER:	DEPT	KPA		INDICATOR	PROJECTS	TARGETS	ANNUAL BUDGET	1 ST Q 30 SEP 2010		2 ND		3 RD		4 TH		INFORMATION SOURCE	EXPLANATION FOR VARIANCE	PROOF
			OBJECTIVES					PROJECTED /ACTUAL		PROJECTED /ACTUAL		PROJECTED /ACTUAL		PROJECTED /ACTUAL				
MUNICIPAL MANAGER : MR F.B. Sithole	DEPARTMENT OF CORPORATE SERVICES	GOOD GOVERNANCE	Ensure public participation in local governance	Number of IZIMBIZOS held	17 IZIMBIZOS	One per ward	R20,000	R4,000	ongoing	R4,000	R15052,63	R4,000	12 done	R4,000		COMMUNICATION STRATEGY		
oversees & approves the implementation of the department's strategies	Responsible official MRS N. SHANGASE		To actively engage the community and ensure public participation on service delivery	Facilitate izimbizo	Ward committee meetings	Minutes to be submitted within a week of the meeting	R60 000	R15 000	ONGOING	R15 000	Ongoing R53014,00	R15 000	09 held	R15 000		Mayoral prog. of action		
	ACTING DIRECTOR			Ensure community awareness	IDP/Budget engagement	Once a year			done		Done		done					
				to organize Council meetings well in advance and effectively	Number of days before agenda is sent	12 days prior	R75 000	R18,750	05 days	R18,750	05 days	R18,750	05 days	R18,750	05 days	MUNICIPAL BUDGET		
		MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	To develop staff skills in the workplace in line with IDP functions.	number of trainings attended by staff			R100,000	R25,000	Academic =04 staff	R25,000	Academic =04 staff	R25,000	04 staff	R25,000		MUNICIPAL BUDGET		
			Review s57 performance agreements	5 contracts	5 contracts	All 5 signed by end July 2010	inhouse		3 signed		03 signed		3 signed					
			Fill critical vacancies		-Director -library assistant	September 2010	Salaries vote		02 filled 01 advertised		03 posts filled 01 not filled		1 outstanding			From the salaries vote		

THE ACCOUNTING OFFICER:	DEPT	KPA	OBJECTIVES	INDICATOR	PROJECTS	TARGETS	ANNUAL BUDGET	1 ST Q 30 SEP 2010	2 ND DEC 2010	3 RD MAR 2011	4 TH JUN2011	INFORMATION SOURCE	PROOF
								PROJECTED/ ACTUAL	PROJECTED/ ACTUAL	PROJECTED/ ACTUAL	PROJECTED/ ACTUAL		
							- Cyber & -Library cleaner						
				Sign performance agreements and submit to COGTA				Submit by 31 July 2010	inhouse		submitted		submitted
			MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Implement WSP	Produce a training plan			SEP 2010	inhouse		Not produced		Will start in the next term
												In progress	WSP

2. TECHNICAL SERVICES UNIT

MUNICIPAL MANAGER : MR F.B. Sithole	DEPARTMEN T TECHNICAL SERVICES			percentage increase in the number of access roads built	7 new access roads	7 ROADS (34,5 km)	18,277000.0 0	R4569.25 0	R1,964,061- 50	R4569.25 0	R7148,554,71	R4569. 250	R12,464,36 1.72	R4569 .250		MIG		
oversees & approves the implementatio n of the department's strategies				&/maintained							15,5 km completed		25km completed					
					roads to be maintained	40 roads	R5, 000 000	R1,250 000	R2,172849.4 0	R1,250 000	R2524349,40	R1,250 000	R3,356,144 .06	R1,25 0 000		EQUITTABL E SHARE		
				Increase in the number of women employed							03 roads completed, 02 ongoing, 02 not started yet.							
					employed women	400		350	360	360			400					
		BASIC SERVICE S	To provide a better local access road network	a Comprehensiv e Infrastructure Plan	CIP &IWMP	source funding			finalizing funding		finalizing funding. has requested funding from dept of enviro affairs.		Awaiting a response from DEA					

	Responsible official MR S. SOKHELA THE DIRECTOR	To accelerate electrification of Msinga	number of houses provided with access to electricity	Kwa Dolo 1600 connections	1600 connections	R16,000 000	R4,000 000	R529,192,80	R4,000 000	100 out of 800 phase 2 connections completed	R4,000 000	R9,404,691 .31 700 connections completed	R4,000 000		Funded BY DME& Rural Dev			
			To ensure effective management of waste	Number of days when waste is collected	-Tugela Ferry town - Pomeroy town	5 days a week	R475,000	R118,75	R142 093,40	R118,75		R118,75	R325,000	R118,75				
				Tugela Ferry street lighting	Tugela Ferry street lighting	100 street light poles	R2,169,000.00	R 525 000	R2,37979,61 Project ongoing	R 525 000	50 poles completed R1,034,705-43	R 525 000	R 1,900,000 95% complete	R 525 000		DCOGTA		
				Tugela Ferry walkways& storm water	Tugela Ferry walkways& storm water	walkways& storm water	R11,564,235 1 000	R2,750 000	R668,314,77 19 People employed so far	R2,750 000	60%completed R6,274,229-50	R2,750 000	R9,241,126 .97 95% completed	R2,750 000		DCOGTA		

				Sports field	Msinga Top Sports field.	1 Msinga Top sports field	R2,444 000	R611 000	0	R611 000	0% expenditure , contractor appointed. Project moved from ward6 to 7.	R611 000	R1,200,000 70% completed	R611 000	Funded by Dept of Sport & recreation		
				Number of crèches built	17 Crèches/ emergency housing	17 Crèches /emergency housing	R3,400 000	R850 000	R529 646,69	R850 000	R822 22873 expenditure	R850 000	1,624,777.98	R850 000	Free Basic Services		
							1. 13 crèches completed 02 underway 2. 08 emergency 4 room houses underway & 02 completed 3. 06 classrooms completed, 01 underway										

3 DEVELOPMENT PLANNING UNIT

THE ACCOUNTING OFFICER:	DEPARTMENT OF DEVELOPMENT PLANNING	KPA		INDICATOR	PROJECTS	TARGETS	ANNUAL BUDGET	1 ST Q SEP 2010	2ND	3 RD	4 TH	INFORMATION SOURCE	EXPLANATION FOR VARIANCE	PROOF
			OBJECTIVES					PROJECTED/ACTUAL	DEC 2010	MAR 2011	JUN2011			
MUNICIPAL MANAGER : MR F.B. Sithole	Responsible official	1. Reduction of poverty within the municipal area.	To reduce poverty through local economic development	percentage increase in the number of LED strategies	ROCK CRUSHING	Implement rock crushing	Still sourcing funding	No funding acquired	0	No funding acquired yet	No funding acquired yet			

	MR MM NDLOVU			implemented													
	THE DIRECTOR				Keates Drift feasibility plan	Complete the plan		80% completed	80% completed		90% completed. Plan needs to be adopted by council.		100% completed			Project managed by DED.	Reports
oversees & approves the implementation of the department's strategies					Efficient utilization of the pack house	Store agricultural produce		negotiations	ongoing				negotiations			Umzinyathi district is facilitating the project	
		2. effective functioning of community facilities	Effective maintenance of community facilities	progress reports, quarterly meetings with the facility manager,	thusong centres	monthly	R52 000	R13 000		R13 000		R13 000	maintained	R13 000			
					Kopi Curio Shop												
					Community halls												
		3.prepare IDP	Prepare a credible IDP, Review PMS Update TAS		-process plan -draft IDP -FINAL IDP TAS reports	According to DCOGTA dates	R40 000	R10 000	10% completed 0% spent	R10 000	40% completed	R10 000	80%	R10 000			
		4.To provide safe and sustainable living environment		an increased number of better houses received by the community To accelerate development of rural housing.	500 units per project for: -Pomeroy, -Latha, -Dolo, -Mvundleni, -Ezibomvini -Mthembu	Progress reports	R18,605 00	R4,651 375	All applications are still with DOH. Latha is on stage 2	R4,651 375	All applications are still with DOH.	R4,651 375	1 st construction commences in May 2011	R4,651 375		Funded and, facilitated by Dept of Human Settlements	

		5.Youth empowerment		increase number of youth with tertiary education	Bursaries, Compute trainings, Drivers licenses	Number of youth assisted	R8000.00	R200 000.00	R243156,30	R200 000.00	383 824,06	R2 00 000 .00	54 youth	R2 00 000 .00				
			To empower the youth of Msinga Municipal area	organized sports structure	Organized games	Monthly reports/ meetings	R300 000	R75 000	R22 0526,32	R75 000	324191,14	R7 5 000		R7 5 000				
			To prevent the effects of natural disasters	Number of awareness done		Progress reports	R60 000	15 000	R4 769,56	15 000	33670,40	15 000		15 000				
		6 HIV/AIDS	To empower the people of Msinga area with life skills	HIV meetings held	Awareness campaigns	Progress reports	R100, 000	R25,000	R131 63,91	R25,0 00	41518,33	R2 5,0 00		R2 5,0 00				
				number of families assisted with burial	Coffins/ Food vouchers	Progress reports	R200,00 0	R50 000	R29 409.70 48 families assisted with burial facilities	R50 000	57650,79	R5 0 000	160 assisted	R5 0 000				
		7.Spatial Planning	Tugela Ferry be proclaimed a town	progress reports, meetings with SP	UDFP Plan	Monthly	R472,21 7	R118.054	R226,831. 50 90% completed	R118. 054	95% completed	R1 18. 054	98%	R1 18. 054				
			1.To ensure proper spatial planning and environmental planning 2. to attract investors to		Adoption of LUMMS	inhouse		LUMS was submitted to Dcogta. Awaiting comments.			still awaiting comments		still awaiting comments					

oversees & approves the implementation of the department's strategies	Responsible official MR J PANSEGROW THE CHIEF FINACIAL OFFICER		To promote sound financial practices in the municipality through sound policies.	Unqualified AG report	JUNE 2011	inhouse	unqualified	awaiting AG comments	inhouse	Unqualified result for audit 09/10	inhouse	Unqualif ied result for audit 09/10	inhouse		AG report		
				Submit financial statements	August 2010	inhouse	100%	financial statements submitted 30/8/2010	100%	100% submitted on time	100%	Unqualif ied result for audit 09/10	100%		Financial statements		
				internal auditing	Audit municipal performance	R450,000	r112,000	has not started	R112,000	R224 000,00 Internal auditor to start in February auditing perfoamnc e.	R112,000		R112,000		monthly audit report	Internal auditors will start in 2011 to audit performanc e information.	
			Advertise according to MFMA and MSA requirements	Advertise all public documents/ meetings		R350 000	R87.500	R294 33	R87.500	R232 147,88	R87.500	Ongoing	R87.500				



REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON MSINGA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Msinga Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 3 to 41.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Msinga Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Additional matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Material inconsistencies in other information included in the annual report

9. I have not obtained the other information included in the annual report for my review and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

10. The supplementary information set out on pages 34 to 41 do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 75 to 95 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Usefulness of information

12. The following criteria are relevant to the findings below:
 - Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound
 - Consistency: The reported objectives, indicators and targets are consistent between the planning and reporting documents
13. The following audit findings relate to the above criteria:



Planned and reported targets are not measurable

14. For the selected objectives, 25% of the planned and reported targets were not measurable in identifying the required level of performance.

Changes to planned objectives, indicators and targets are not approved

15. Additional and different objectives, indicators and targets were reported on as opposed to those in the approved integrated development plan. These additional and different objectives, indicators and targets were not included in the approved budget and were not approved subsequent to the strategic planning process.

Compliance with laws and regulations

Audit committee

16. The audit committee did not function as appointed and therefore did not fulfil its responsibilities for the year under review, as required by section 166 of the MFMA.

Internal audit

17. The internal audit unit did not substantially fulfil its responsibilities for the year under review, as required by section 165(2) of the MFMA.

Procurement and contract management

18. The preference point system was not applied in all procurement of goods and services above R30 000 to R100 000, as required by section 2(a) of the Preferential Procurement Policy Framework, 2000 (Act No. 5 of 2000) and regulation 28(1)(a) of the Municipal Supply Chain Management Regulations of 30 May 2005.

Budgets

19. The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements

20. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.



INTERNAL CONTROL

21. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

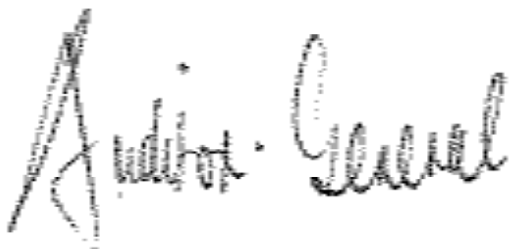
22. The accounting officer did not exercise effective oversight over policies and procedures regarding budgets, supply chain and performance management to enable and support understanding and execution of internal control objectives, processes and responsibilities.

Financial and performance management

23. Management did not implement controls over the preparation, review and reconciliation of the financial statements as well as the reported performance against predetermined objectives.

Governance

24. The municipality did not have an effective and functioning audit committee during the financial year under review. This also impacted on the effectiveness of internal audit.
25. The internal audit unit of the municipality did not fulfil its responsibilities of evaluating and monitoring responses to risks and providing assurance over the effectiveness of the overall internal control environment, including performance reporting and compliance with laws and regulations.



Pietermaritzburg

30 November 2011

